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SIPDIS

SENSITIVE

STATE FOR EUR/NB, INR-B AND OES/OA (HAYES, PHELPS)  
USDOC FOR NOAA/NMFS WILLIAM HOGARTH  
COPENHAGEN FOR ESTH HUB  
TREASURY FOR LAWRENCE NORTON AND ERIC MEYER

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SUBJECT: NEW ICELANDIC PM PLEDGES SUPPORT FOR IMF PROGRAM

Refs: A) State 10452

B) Reykjavik 25

1. (SBU) Summary: In a February 5 courtesy call, new Icelandic Prime Minister Johanna Sigurdardottir told Ambassador her government is committed to implementing the IMF's recovery program for Iceland.

The first task is to rebuild the banking system, including the regulatory structure, while also helping Icelandic households survive the economic downturn. The government will need to work "24-7" to accomplish its goals in the roughly 80 days it has before parliamentary elections. The PM said she plans to attend the NATO Summit in April and hopes to meet President Obama and Secretary Clinton there. On whaling, Sigurdardottir said the government is reviewing the previous Fisheries Minister's decision to expand the quota for hunting fin whales, and that she has asked the new Fisheries Minister to examine the mechanics of how it might be overturned. End Summary.

2. (U) Ambassador called on Iceland's new Prime Minister Johanna Sigurdardottir on February 5 to deliver a congratulatory letter from U.S. President Obama (Ref A). Expressing warm thanks and deep admiration for President Obama and "what he stands for," Sigurdardottir said she looks forward to the possibility of meeting the President as well as Secretary Clinton at the NATO Summit to be held in Strasbourg this April. Sigurdardottir drew parallels between Obama's campaign for change and the changes represented by her own government, the first in Icelandic history to be headed by a woman and to have an equal gender balance in the cabinet. Sigurdardottir claimed the new government is only the third in the world to have an equal allocation of cabinet posts between men and women.

3. (SBU) Sigurdardottir said her government -- which will be in office for roughly 80 days before early parliamentary elections this spring -- realizes it will need to work "24-7" to accomplish its ambitious agenda. The first priority is to reconstruct and reorganize the banking sector, with particular attention to regulatory bodies such as the Central Bank and the Financial Supervisory Authority. This must be done in order to rebuild international trust in Iceland, which has been greatly weakened as a result of the crisis. At the same time, said this former Social Affairs Minister, the government will work to mitigate the impact of the economic contraction on Icelandic households.

4. (SBU) The PM pledged that her government will fully implement the plan worked out with the International Monetary Fund (IMF) last fall, which will be the key to Iceland's economic recovery. She added that the government intends to stand by all international commitments that Iceland has made in connection with the economic

crisis.

15. (SBU) Ambassador raised the topic of bilateral security cooperation and the work done by both governments to develop a new defense relationship after the withdrawal of U.S. forces in 2006. The Ambassador expressed gratitude for the work done by previous Foreign Minister (and Chair of Sigurdardottir's Social Democratic Alliance party) Ingibjorg Solrun Gisladdottir and said she hoped our strong bilateral cooperation could continue. The PM said she agreed that U.S.-Iceland defense ties have been strong and that continued joint efforts would be beneficial.

16. (SBU) On whaling, Ambassador noted the decision by the outgoing Minister of Fisheries in his final days in office to dramatically increase the quota for commercial hunting of fin and minke whales (ref B). PM Sigurdardottir said her government had strongly criticized the manner in which this was done, in which a minister in caretaker status made such a dramatic change to government policy. The PM has asked the new Minister of Finance, Fisheries and Agriculture to review the legal basis for the quota increase and examine how it might be rescinded. She noted that there may be some liability concerns for the government arising from companies that already hold whaling quotas and could sue for damages. The PM further noted that her government has received a large number of letters and email messages protesting the decision, many of them from the U.S.

17. (SBU) Comment and bio note: Sigurdardottir appears to have brought the same intensity and seriousness of purpose to her new job that she exhibited in her previous stints as Minister of Social Welfare -- the very qualities that have made her the most popular politician in Iceland. She is focused on domestic issues first and foremost, but also showed on the IMF package and whaling that she

REYKJAVIK 00000029 002 OF 002

understands the outside world cannot be ignored while Iceland looks inward. Of note, although Sigurdardottir is fluent in English, she chose to speak in Icelandic and use an interpreter.

VAN VOORST